

Beech-Nut:

Competitive Strategies in Pouch Market



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Market Overview

Market Overview

Consumers are less price sensitive to organic pouch

Baby food companies are devoted to target more segments

Fruits and protein ingredients are trending

Beech-Nut Current Situation

High price mismatches brand image of organic pouch

Narrow price range fails to reach diversified segments in non-organics

Beech-Nut lacks competence in trending flavors



Develop Premium Brand Image



Reach Out to More Segments



Explore the Potential of Flavors



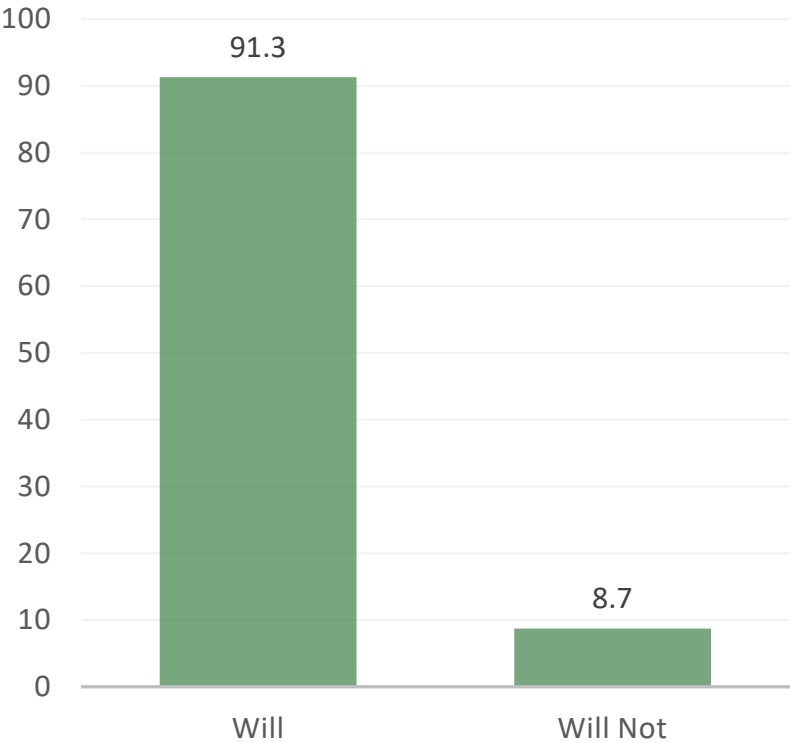
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**Develop the Premium
Brand Image**

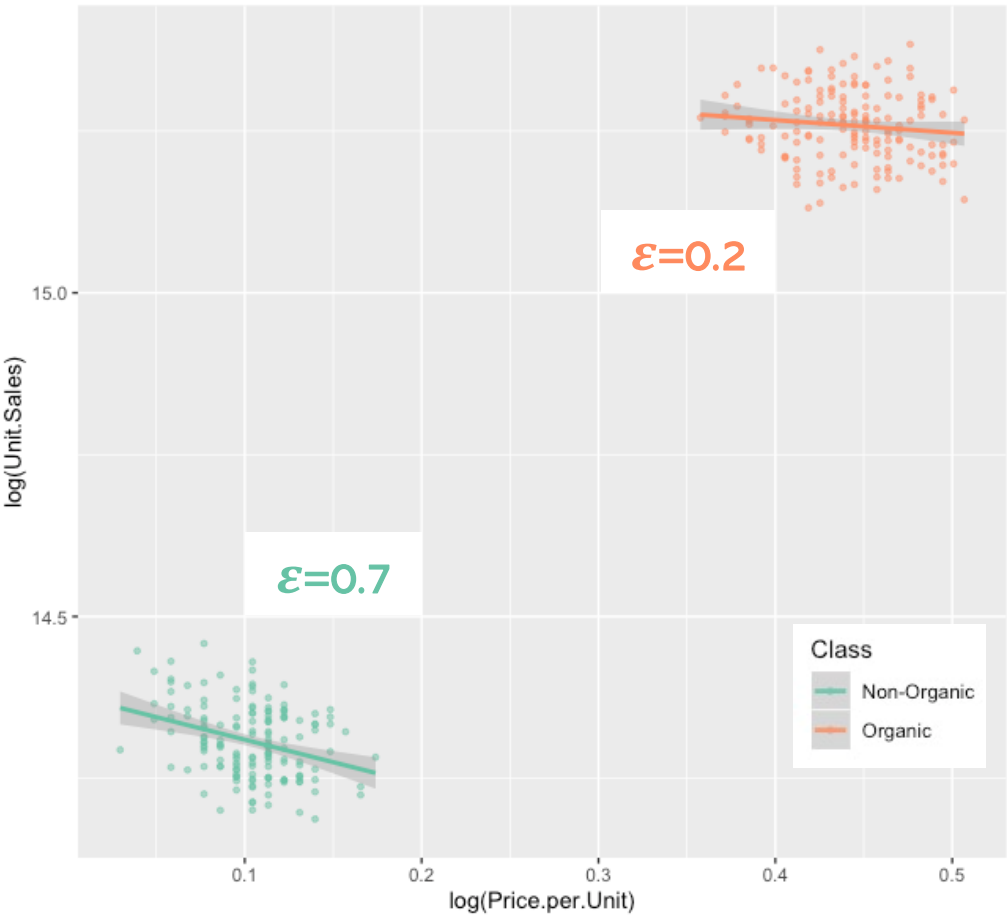


Customers Are Willing to Buy Organics and Less Price Sensitive to Organic Pouch

Are You Willing to Pay More for Organic Food?



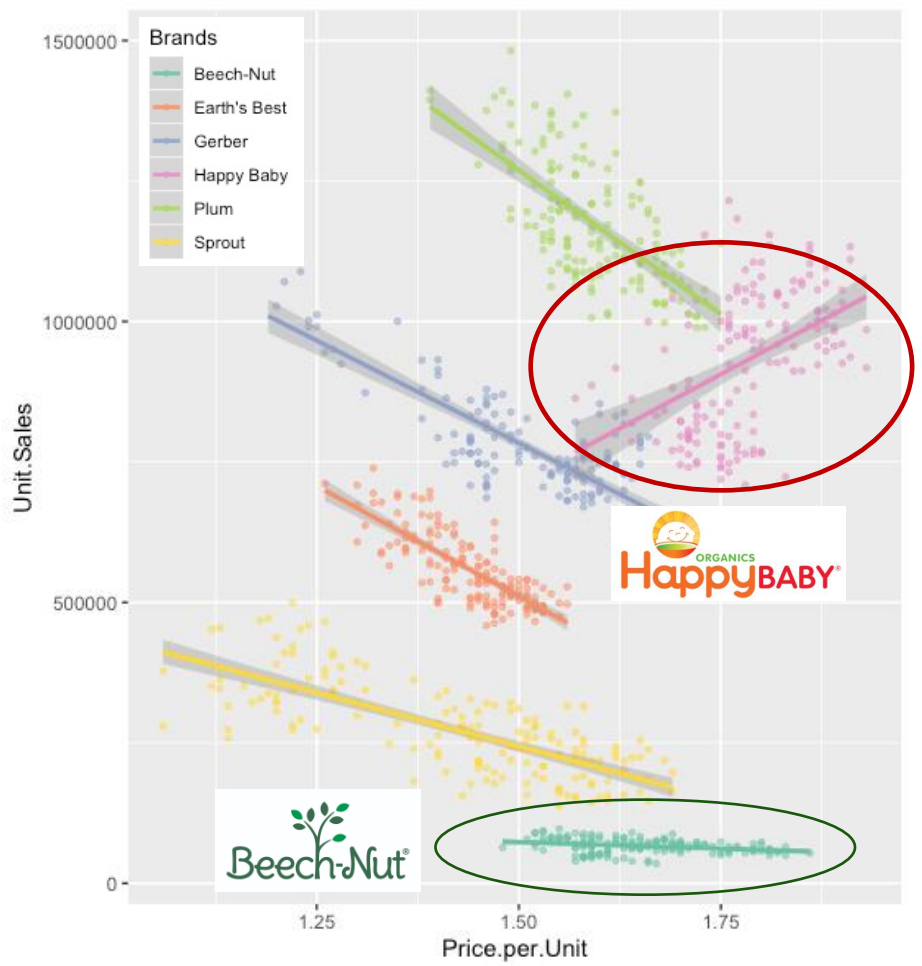
Price-Elasticity of Organic and Non-Organic Pouch



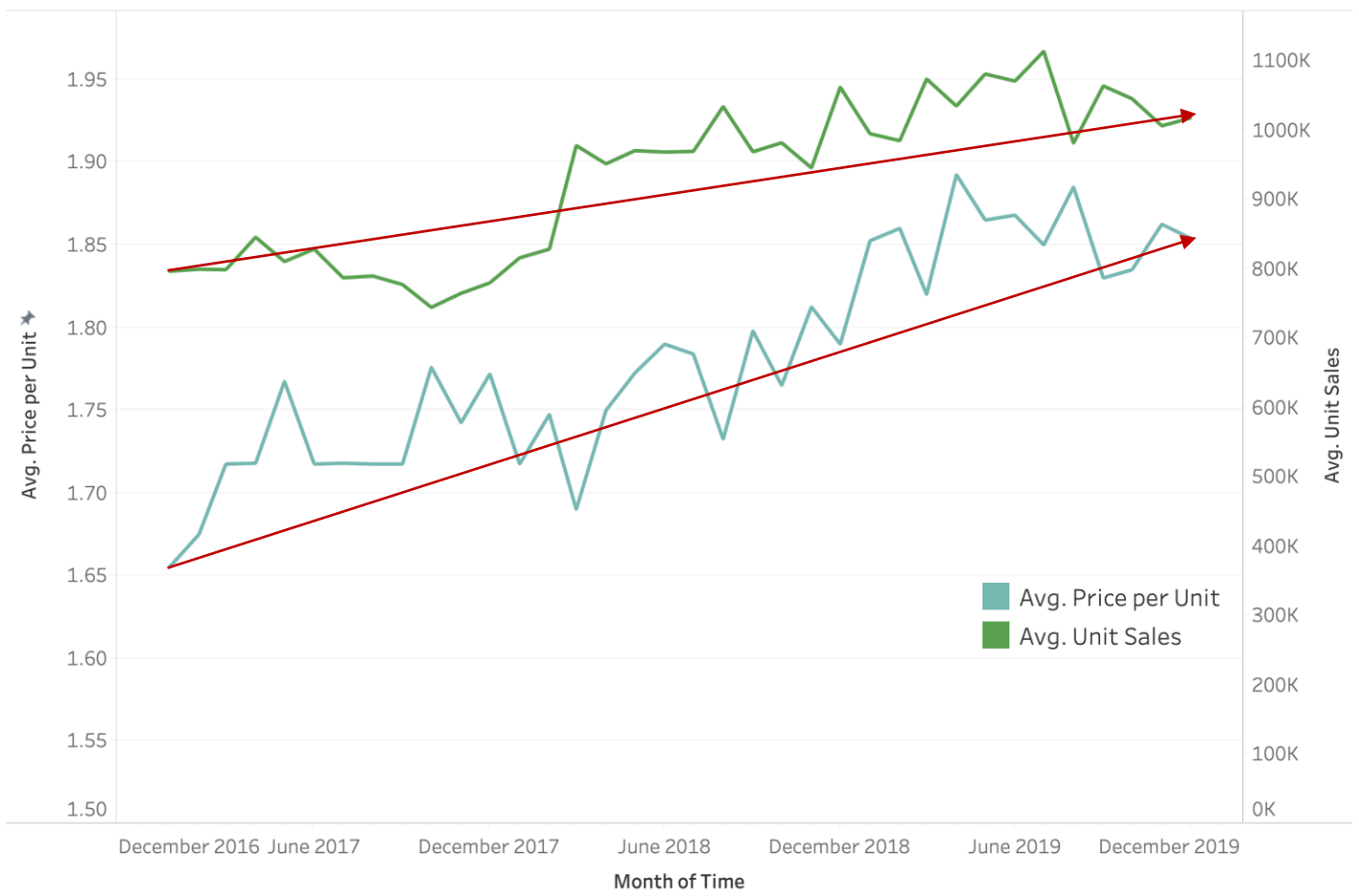


Happy Baby Has Strong Growth Momentum in Organic Pouch Market

Q~P Correlation of Organic Pouch



Trend of Unit Sales and Unit Price of Happy Baby Organics





Three Strategies Happy Baby Takes to Build Premium Brand Image

01



Premium Product Line with Transparent Package

02



Strong Display Promotion

03



Digital Marketing Campaigns



Premium Product Line Helps Build Brand Awareness and Grab Market Share



Happy Baby Clearly Crafted™
with transparent package

Market Share: **14.1%** ➔ **18.2%**

Drive a price premium of **9.1%**

50% of total unit sales



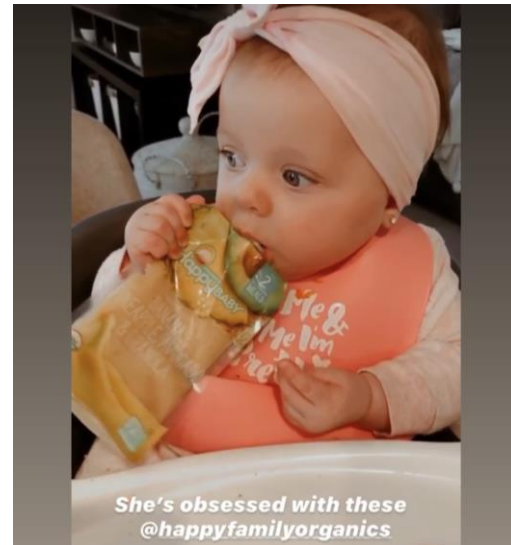
Promotions, Especially Display, Help Build Brand Awareness for Premium Product

Brand	Year	Number of Product	TDP, Any Merch	TDP, Display
Happy Baby Clearly Crafted	2018	27	612.42	108.12
	2019	26	659.48	181.29
Happy Baby Others	2018	158	769.67	74.34
	2019	134	660.47	92.91
Beech-Nut Organic	2018	17	228.48	23.36
	2019	16	143.66	2.56

- ▲ Happy Baby has higher retail penetration of its premium products and emphasizes display to gain the exposure
- ▲ Beech-Nut should strengthen its promotion especially display on organic pouch



Digital Marketing Campaign Helps Gain Customer Loyalty and WOM Effect



Happy Baby Digital Campaign



Beech-Nut Digital Campaign

- ▲ Happy Baby values building customer relationship on social media, resulting in word-of-mouth effects
- ▲ Beech-Nut also has the potential in making good use of social platforms to build the brand image and maintain connections with customers



Recommendations for Beech-Nut to Develop Premium Brand Image

01



Build Premium Image by Upgrading the Appearance of Beech-Nut's Organics with Unique Packages, Premium Mark or Logo

02



Launch More Display Promotion to Enhance the Premium Brand Image for Beech-Nut Organics

03



Conduct Digital Marketing Campaigns to Gain More Loyal Customers and WOM Effect

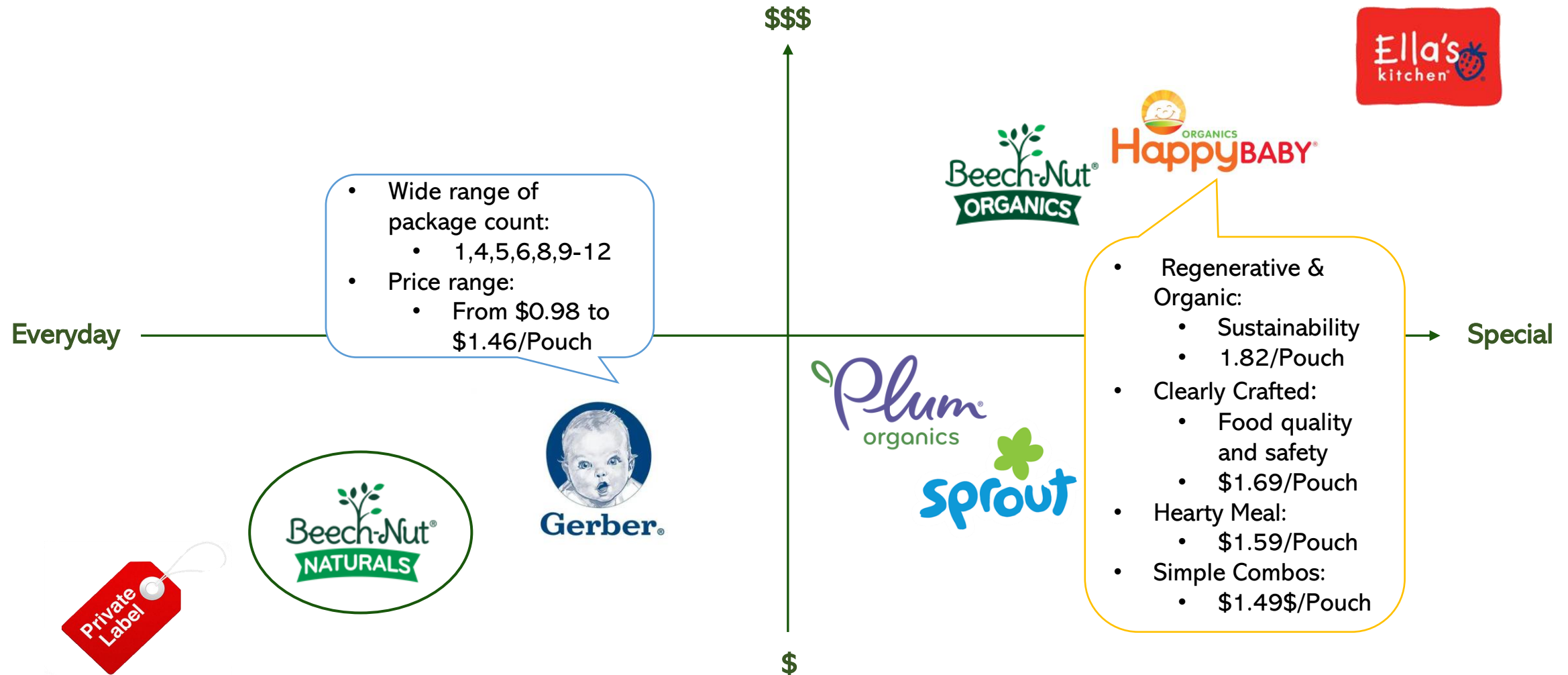
A photograph of a baby sitting in a high chair, wearing a white shirt with a green apple graphic and a yellow bib. An adult's hand is holding a green spoon, feeding the baby. The background is a blurred green outdoor setting. A semi-transparent white circle is overlaid on the right side of the image, containing the number 2 and the text 'Reach Out to More Segments'.

2

**Reach Out to More
Segments**

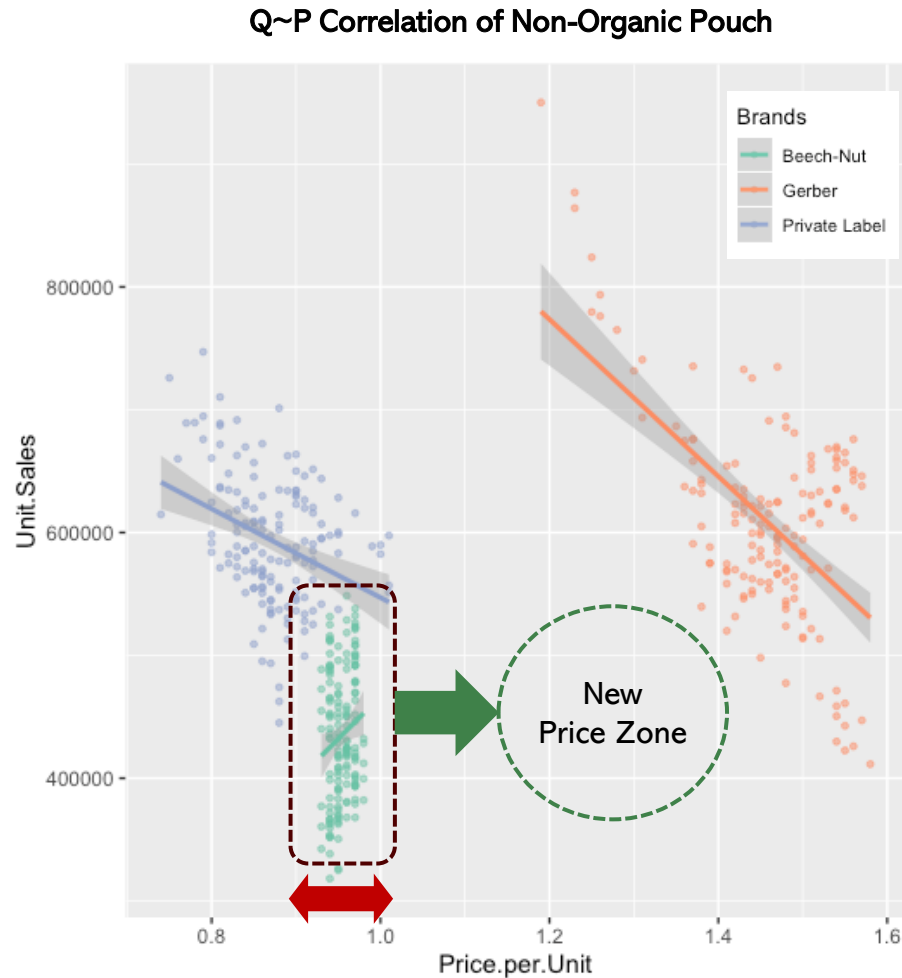


Main Players in Pouch-based Food Market Are Trying to Target More Segments





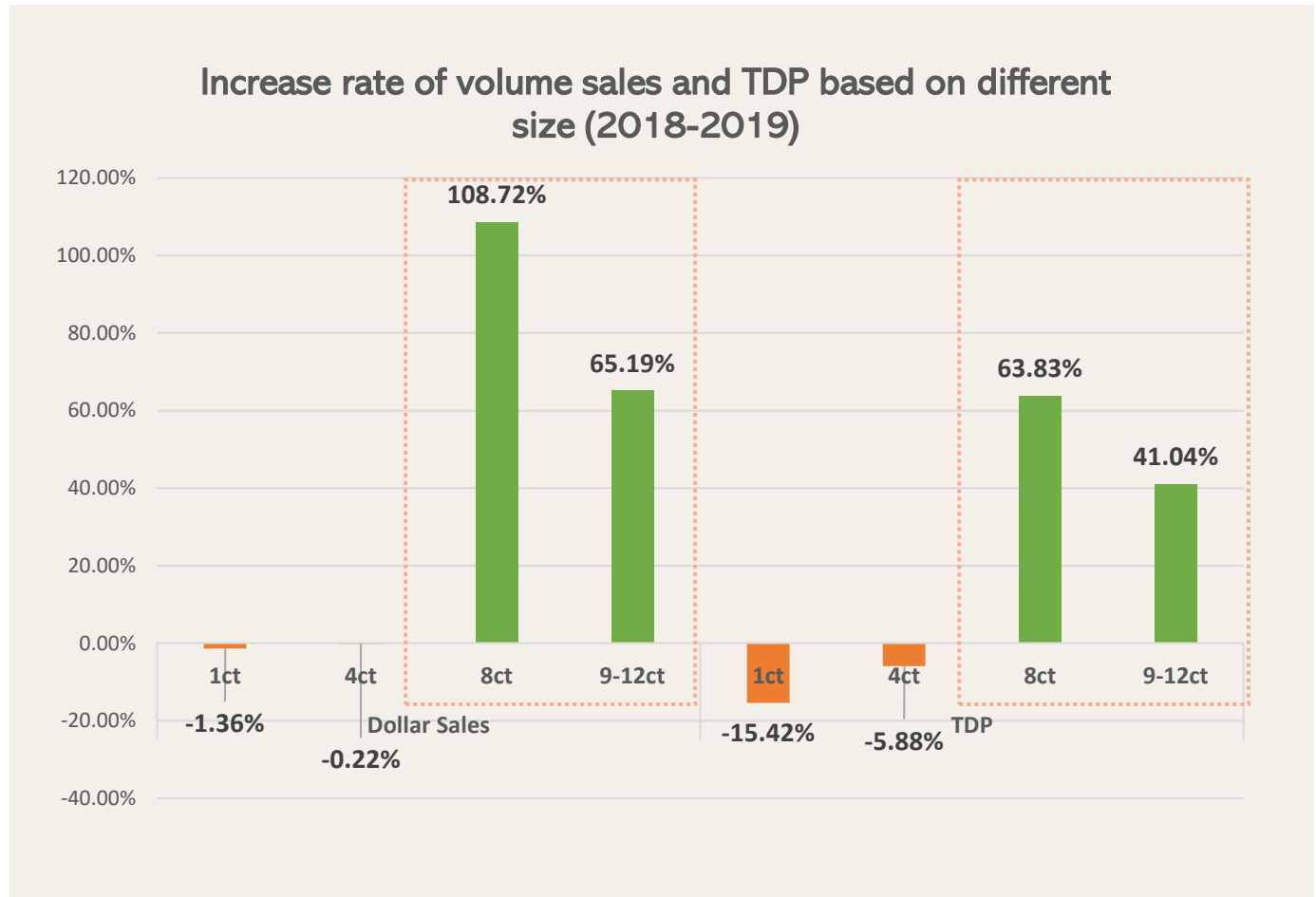
Beech-Nut Should Take More Flexible Pricing Strategy



- ▲ Beech-Nut takes relatively **stable** pricing strategy and the price range of its non-organic pouch is quite **narrow**
- ▲ Beech-Nut could **raise the original price** for non-organics to **avoid** being recognized as cheap products like private label
- ▲ Meanwhile **take some mark-down strategies** to prevent the loss of price-sensitive customers



Large-pack Pouch Is a Great Potential Opportunity for Beech-Nut



- ▶ **Beech-Nut**
 - Only producing small-pack now
 - Having opportunity to fill this market niche
- ▶ **Large-pack pros**
 - Offering variety
 - Convenience for multi-child families



Cooperating with NGOs to Target Low-income Group



Social benefits

Cooperating with
NGOs
(e.g. City Harvest)

Distributing coupons
along with donated
products

Markdown strategies
to target low-income
family



Recommendations for Beech-Nut to Reach out to More Segments

01



Raise the Original Price of Non-organic Pouch to Avoid being Recognized as a Cheap and Poor Product

02



Launch Large-pack Products with Competitive Price to Target Multi-child Families

03



Cooperate with NGOs to Target Low-income Segments



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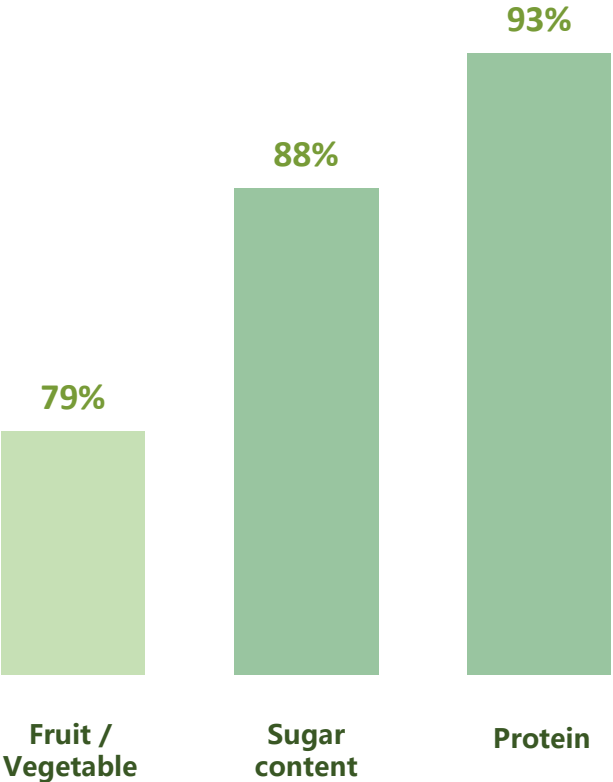
**Explore the Potential of
Flavors**



Baby Food Containing More Fruits and Protein Is Trending

Turf Analysis – Food Purchase Factors

“Besides price, what factors are important to you when purchasing baby/toddler food?”



▲ Three most important factors when consumers purchase baby food

Important factors for children food buyers

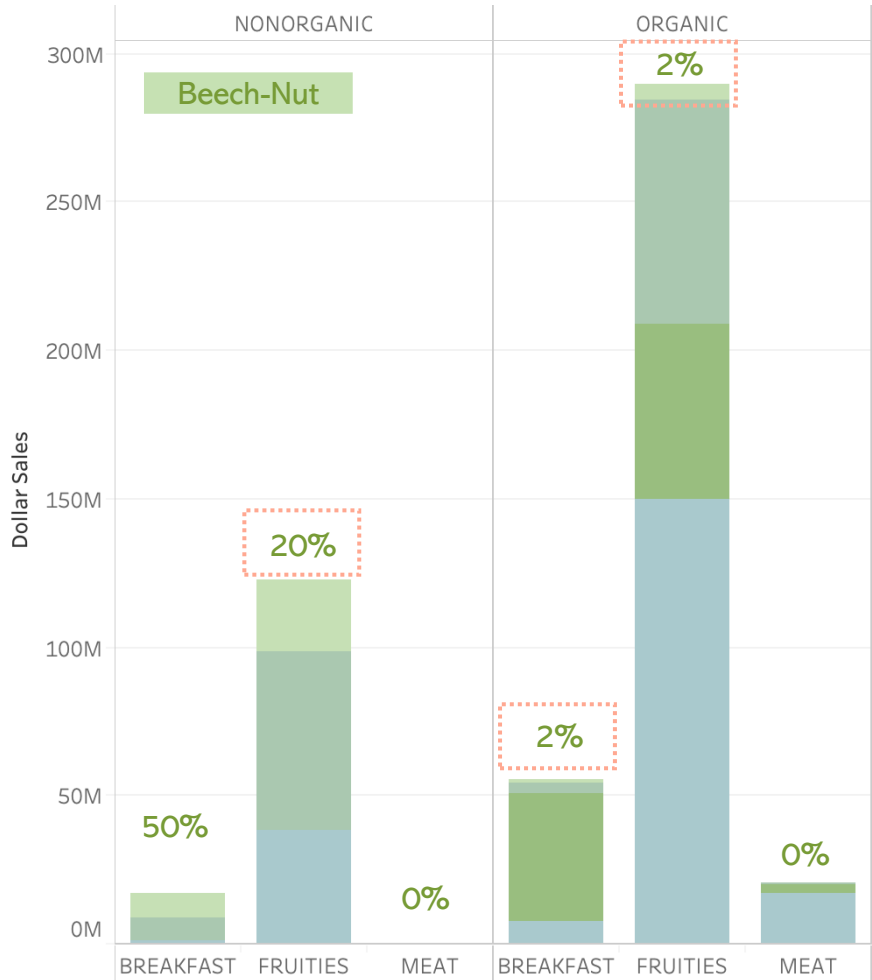
Variable	Importance
Quality	4.75
Nutrients	4.49
Taste	4.46
Healthiness	4.23
Purchasing History	3.99
Discount	3.98
Promotion	3.63

▲ Compared with fruits and protein, vegetables are less popular because consumer of children food also value taste



Beech-Nut Lacks Competence in Trending Flavors but Gains Increasing Popularity of Breakfast Flavor

Dollar sales by brands in flavors

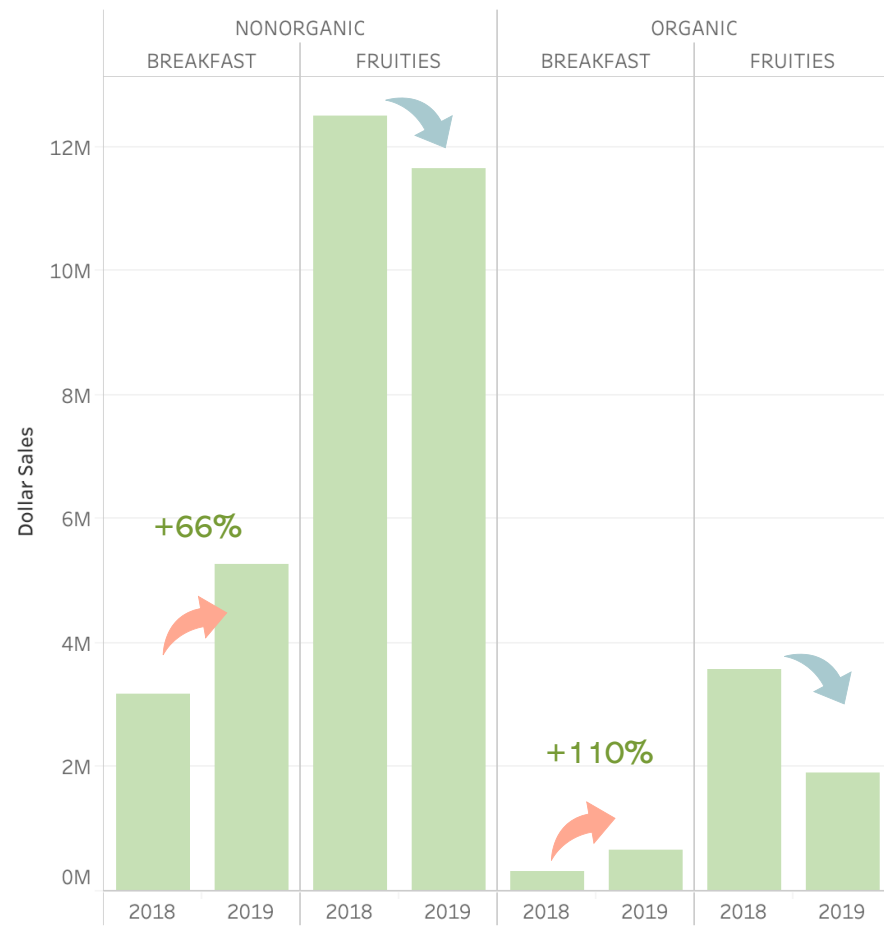


▶ Beech-Nut lacks competence in trending flavors, especially in organic market

▶ Fruities flavor accounts for more sales of Beech-Nut but faces fierce competition

▶ Beech-Nut gains increasing competence and popularity of breakfast flavor

Dollar sales of Beech-Nut in flavors





Beech-Nut Should Use More TPR on Fruities Flavor in Non-Organic Market

Promotion of Beech-Nut and Gerber on Fruities flavor in Non-Organic Market

Non-Organic	Beech-Nut		Gerber	
	Fruities	Percentage	Fruities	Percentage
TDP Any Merch	459.53	58%	1513.52	68%
TDP TPR	232.05	29%	1357.41	61%
TDP Feature	335.6	43%	847.91	38%
TDP Display	36.84	5%	118.02	5%
TDP Feature / Display	355.09	45%	889.09	40%
TDP	788.9	100%	2225.4	100%

- ▲ Gerber accounts for **49%** of dollar sales of Fruities flavor while **Beech-Nut** accounts for **20%**
- ◀ Gerber uses **deeper** and **broader** promotion on Fruities flavor
- ◀ Among all the promotion methods, Gerber focuses more on **TPR** when promoting Fruities flavor



Beech-Nut Should Use More TPR and Feature on Fruities and Breakfast Flavors in Organic Market

Promotion of Beech-Nut and Plum on Fruities and Breakfast flavors in Organic market

Organic	Beech-Nut				Plum			
	Breakfast	Percentage	Fruities	Percentage	Breakfast	Percentage	Fruities	Percentage
TDP Any Merch	154.72	55%	666.27	61%	726.78	73%	1128.85	68%
TDP TPR	109.41	39%	419.32	38%	546.69	55%	929.74	56%
TDP Feature	80.22	29%	394.65	36%	591.59	59%	750.71	45%
TDP Display	13.37	5%	53.09	5%	96.82	10%	103.88	6%
TDP Feature / Display	89.01	32%	426.81	39%	619.6	62%	786.7	47%
TDP	280.9	100%	1090.7	100%	1000.7	100%	1657.8	100%

- ▲ **Plum** accounts for **79%** of dollar sales of **Breakfast** flavor while **Beech-Nut** accounts for **2%**
- Plum** accounts for **20%** of dollar sales of **Fruities** flavor while **Beech-Nut** accounts for **2%**
- ▲ Plum uses **deeper** and **broad**er promotion on both flavors
- ▲ **TPR** and **Feature** are most valued by Plum among promotion methods.



Recommendations for Beech-Nut to Explore Potential of Flavors

01



Use More TPR on Fruities Flavor in Non-Organic Market

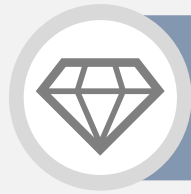
02



Use More TPR and Feature on Fruities and Breakfast Flavors in Organic Market



Summary



Develop Premium Brand Image

Recommendations

1. Upgrade Package Appearance
2. Launch More Display
3. Conduct Digital Marketing Campaigns



Reach Out to More Segments

1. Raise the Original Price of Non-organic
2. Launch Large Size Packages with Competitive Price
3. Cooperate with NGOs



Explore the Potential of Flavors

1. Use more TPR On Fruities Flavor for Non-Organics
2. Use more TPR and Feature On Fruities and Breakfast Flavors for Organics

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